

Message Text

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PAGE 01 TURIN 00542 231826Z
ACTION XMB-04

INFO OCT-01 EUR-12 NEA-10 ISO-00 EB-08 CTME-00 L-03
AID-05 CIAE-00 COME-00 FRB-01 INR-07 NSAE-00
USIA-15 TRSE-00 OPIC-06 SP-02 OMB-01 /075 W
-----004807 240211Z /75

R 231515Z DEC 77
FM AMCONSUL TURIN
TO SECSTATE WASHDC 0812
INFO AMEMBASSY ALGIERS
AMEMBASSY PARIS
AMEMBASSY ROME

UNCLAS TURIN 0542

E.O. 11652: N/A
TAGS: AFIN, EIND, ENRG, AG, IT, US
SUBJ: ALGERIA - AUTO PLANT - POSSIBLE EXIM FINANCING

REF: A. STATE 296136
B. ROME 20526

1. PRIOR TO RECEIPT OF REFTELS, WE RECEIVED FROM TOP
MANAGEMENT SOURCE IN FIAT REVISED FIGURES ON SUBJECT
PROJECT WHICH MAY BE OF USE TO EXIM IN FURTHER CONTACTS
WITH FIAT REPS IN U.S. DOLLAR FIGURES IN PARENTHESES
BELOW CALCULATED AT CURRENT LIRE 876/ONE U.S. DLR.

A. ORIGINAL FIAT PROPOSAL TO ALGERIA AFTER NEGOTIATIONS
WITH GOA:

200,000 VEHICLES AT FULL PRODUCTION
L. 2,300 BILLION (2.63 BILLION) TOTAL COST OF PROJECT
L. 330 BILLION (377 MILLION) SUPPLIED FROM OUTSIDE ITALY
AND THEREFORE FINANCED OUTSIDE ITALY
L. 1,970 BILLION (2.25 BILLION) REMAINING TO BE
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PAGE 02 TURIN 00542 231826Z

ALGERIA TO PAY 10 PERCENT DOWN PAYMENT, REMAINDER TO BE
FINANCED BY ITALY, FIVE-YEAR GRACE DURING PROJECT
CONSTRUCTION PRIOR TO BEGINNING OF PRODUCTION, PAYMENT OVER
FOLLOWING TEN YEARS AT 7.50 PERCENT INTEREST.

B. REVISED FIAT PROPOSAL TO GOA AFTER CREDIT NEGOTIATIONS
WITH ITALIAN GOVERNMENT (CURRENT AS OF MID-NOVEMBER):

100,000 TO 200,000 VEHICLES AT FULL PRODUCTION,PROBABLY TOWARD LOWER FIGURE, BUT CONSIDERABLE ENGINEERING AND OTHER PROPOSAL WORK MUST BE DONE BEFORE FNAL REDUCED-SIZE PROPOSAL KNOWN

L. 1,800 BILLION (2.05 BILLION) ESTIMATED TOTAL COST OF REVISED PROPOSAL

L. 300 BILLION (342 MILLION) SUPPLIED FROM OUTSIDE ITALY AND THEREFORE FINANCED OUTSIDE ITALY

L. 225 BILLION (257 MILLION) ALGERIAN DOWN-PAYMENT

L. 150 BILLION (171 MILLION) FINANCED DIRECTLY BY FIAT

L. 1,125 BILLION (1.28 BILLION) REMAINDER TO BE FINANCED

L. 225 BILLION (257 MILLION) NOTES TO BE SOLD ON INTERNATIONAL MONEY MARKET AND THEREFORE NOT FINANCED BY ITALIAN GOVERNMENT

L. 900 BILLION (1.03 BILLION) REMAINDER TO BE FINANCED BY ITALIAN GOVERNMENT. NOTE THAT AFTER CREDIT NEGOTIATIONS WITH GOI, FIAT STATES THAT GOI CREDIT HAS BEEN REDUCED TO 50 PERCENT OF TOTAL COST OF PROJECT

TERMS BELIEVED TO HAVE REMAINED AS ABOVE, ALTHOUGH INTEREST RATE WAS RAISED TO 7.75 PERCENT.

2. FIAT IS INTENSIVELY WORKING ON REVISED PROPOSAL AND HOPES TO MAKE DETAILED PRESENTATION TO ALGERIANS VERY SOON AS FRENCH COMPETITION IS WORKING JUST AS INTENSIVELY.

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PAGE 03 TURIN 00542 231826Z

3. IN USUAL COURSE OF OUR NUMEROUS CONTACTS WITH FIAT WE SHOULD SOON RECEIVE DETAILED DATA RESPONDING TO SOME OF QUESTIONS NOTED PARA. 12, REF. A (WE HAVE NOT MADE SPECIFIC INQUIRY OR MENTIONED INFO RECEIVED FROM EXIM) AND WILL FORWARD UPON RECEIPT.

4. WE BELIEVE PROJECT IS OBVIOUSLY OF KEY AND MAJOR IMPORTANCE TO ITALY DURING ITS CURRENT ECONOMIC CRISIS. IT ESTIMATED THAT ABOUT LIRE 1,000 BILLION (1.14 BILLION) WORTH OF PRODUCTS WOULD BE MANUFACTURED BY NON-FIAT FIRMS IN ITALY, GIVING A MUCH NEEDED BOOST TO ITALIAN ECONOMY AND THIS NO DOUBT WOULD HELP RESOLVE TO SOME DEGREE UNEMPLOYMENT PROBLEMS WHICH ARE BECOMING EXPLOSIVE ISSUE IN ITALY TODAY. WE CONVINCED ALGERIANS WILL NOT BE DETERRED FROM PROJECT AND IT WILL END UP EITHER WITH ITALY OR FRANCE.

5. PROJECT MERITS VERY SERIOUS CONSIDERATION BY EXIM, PARTICULARLY IN VIEW OF BENEFITS TO ITALIAN ECONOMY AND FACT THAT FIAT WISHES TO SHARE BENEFITS WITH AMERICAN FIRMS IN RANGE OF 50 TO 70 MILLION DOLLARS (WHICH APPARENTLY, FROM REF A, IS NOT CASE WITH FRENCH).

6. WE BELIEVE PROJECT AND AMERICAN EXPORT COMPONENT OF
SIZEABLE MAGNITUDE MEETS CRITERIA FOR NEW MEASURES TO EXPAND
U.S. EXPORTS ANDH"TO INCREASE SHARPLY LENDING ACTIVITY
BY THE EXPORT-IMPRT BANK", AS NOTED IN THE PRESIDENT S
STATEMENT OF DECEMBER 21 (STATE 304567).
WRIGHT

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
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Current Classification: UNCLASSIFIED
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Control Number: n/a
Copy: SINGLE
Sent Date: 23-Dec-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition Event:
Disposition History: n/a
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Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
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From: TURIN
Handling Restrictions: n/a
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Subject: ALGERIA - AUTO PLANT - POSSIBLE EXIM FINANCING
TAGS: AFIN, EIND, ENRG, AG, XMB
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/da740efd-c188-dd11-92da-001cc4696bcc
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